



Minutes Board of Directors Meeting September 28, 2017

A meeting of the Board of Directors of the New Hampshire Health Plan (NHHP) was held in person at the offices of Hinckley, Allen & Snyder in Manchester, New Hampshire on September 28, 2017.

The following individuals attended the meeting, including by phone as indicated because of scheduling challenges faced by Board members resulting from the exigencies of other business:

Directors:

David Ellis (*by phone*)
David Sky
Bruce King (*by phone*)
David Trudo (*by phone*)

Other Attendees:

J. Michael Degnan, Helms & Co.
John Hastings, Helms & Co.
Mark McCue, Esq., Hinckley Allen

David Ellis presided as Chair and called the meeting to order at 1:05 p.m. Mr. Ellis noted that a quorum was not present so no formal action of the Board could be taken.

Mr. Ellis then turned the meeting over to Helms & Company to provide a financial report. John Hastings reviewed with the Board the balance sheet for the period ended August 31, 2017. He noted that \$677,700 remained in the Budget Reserve Account after the payment of operating costs including those related to the proposed reinsurance program, which reduced total cash on hand. Approximately \$92,473 in assessment deposits remained on hand at the end of the period. Mr. Hastings reminded the Board that the pre-payment of assessments received from four carriers was booked as a liability totaling approximately \$3.6 Million. He then reviewed the profit and loss statement for the same period and noted that expenses for administrative and other operating costs during the 11-month period remained on budget.

Mr. Hastings then turned to a discussion of proposed changes to the NHHP operating budget for the period beginning October 1, 2017 based on actual experience during that last 12-month period and unanticipated circumstances. He explained that the operating budget for the 12-month period ending September 30, 2017 is \$225,200 and that the projected actual expenses for the period are \$207,500. Mr. Hastings noted, however, that the operating fund had been reduced by the unbudgeted expenses related to the proposed reinsurance program. Mr. Hastings also referenced the existing uncertainty regarding federal support for the individual health marketplaces, and related premium cost and enrollment concerns. Finally, he commented that it was unlikely for legal expenses to decrease given the legal uncertainty regarding the continuation of the Premium Assistance Program and federal law regarding health insurance, as well as the Minuteman Health receivership. Based on the foregoing, Mr. Hastings recommended that

\$21,000 in operating surplus be transferred to the Budget Reserve, which would be carried over to 2018, and that budgeted legal expenses for 2018 not be reduced as anticipated when the initial budget was constructed in 2016.

Mr. Hastings and Michael Degnan then reviewed the proposed assessment for calendar year 2018. Mr. Degnan referred the Board to the DHHS Commissioner calculation of the remainder amount on August 11, 2017, and the NH Insurance Department memorandum dated September 14, 2017 correcting the amount of premium tax which should have been included in the DHHS' calculation of the remainder amount. Mr. Degnan indicated that the New Hampshire Medicaid Director informed him that a corrected remainder amount calculation would be forthcoming from DHHS. Attorney Mark McCue explained to the Board that the DHHS Commissioner has a statutory duty to consider premium taxes in calculating the remainder amount, which calculation is established by statute and not within the discretion of the Commissioner. Because the NH Insurance Department is the regulatory expert regarding premium tax, the NHHP Board has been put on notice of an obvious error in the DHHS remainder amount calculation. Attorney McCue concluded that the Board's fiduciary duty of due diligence obligated it to consider the Insurance Department's premium tax amount in determining the remainder amount on which NHHP 2018 assessments will be based.

Mr. Hastings reviewed the assessment scenarios contained in the Board meeting materials, and noted that the assessment rates in the scenarios using premium tax of \$11.0 million should be adjusted upward by \$0.03 because the NH Insurance Department memorandum identifies a premium tax deposit of \$10.6 million given the timing of the premium assistance program funding mechanism. Mr. Degnan stated that Helms & Company is recommending a 2018 assessment of \$2.25 per member per month. He and Mr. Hastings explained that the assessment calculation assumes a reduction in covered lives to 500,000, and also establishes a program cost contingency of \$1.8 million, or \$0.30 per member per month, given the uncertainties regarding the New Hampshire individual health marketplace in 2018. They acknowledged that these assumptions were conservative, but identified the goal of avoiding a special assessment. Mr. Degnan noted that an assessment holiday in the last quarter of 2018 assessments could be utilized if actual Premium Assistance Program expenses were lower than estimated.

Mr. Hastings concluded his presentation by noting that the assessment calculation assumes that NHHP can negotiate a change in the manner in which the carrier assessment pre-payment is calculated. Currently, NHHP has agreed to credit the assessment pre-payment against assessments due beginning in the last quarter of 2018, and possibly extending through the third quarter and into the second quarter of 2018. In order to avoid a liquidity problem in the Premium Assistance Program which could trigger its premature termination, Mr. Hastings recommended that the carriers who pre-paid assessment be required to pay assessments through 2018, and their pre-payment would be refunded from the proceeds of the fourth quarter assessments. In order to have sufficient funds to repay these carriers, Helms is proposing that NHHP establish a repayment reserve of \$300,000 to be funding from assessments. Attorney McCue noted that this would change the current agreement with the four pre-paying carriers from a credit model to a refund model, and would require the consent of each of those carriers.

Mr. Degnan then informed the Board that he had just received a request from Minuteman Health seeking to have the pre-payment credit applied to its assessments due the third and fourth quarters of 2017. After discussion, those in attendance agreed that this should be discussed by the full Board.

Mr. Degnan indicated that he would try to convene a special meeting next week at which a quorum will be present so that formal action can be taken on the 2018 budget and assessments.

The Board had no further business, and the meeting adjourned at 1:50 p.m.

Respectfully submitted,

J. Michael Degnan,
Secretary *Pro Tem*